

DEPARTMENT OF THE INTERIOR, ENVIRONMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2016

WEDNESDAY, MAY 13, 2015

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:07 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Lisa Murkowski (chairwoman) presiding.

Present: Senators Murkowski, Cochran, Hoeven, Daines, Cassidy, Udall, and Merkley.

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

STATEMENT OF NEIL KORNZE, DIRECTOR

OPENING STATEMENT OF SENATOR LISA MURKOWSKI

Senator MURKOWSKI. We will call to order the Senate Appropriations Subcommittee on the Interior, Environment, and Related Agencies.

Welcome to the committee, Mr. Kornze. We appreciate you being here today.

I think it is fair to say that in recent years discussions about the Bureau of Land Management (BLM) budget or oversight issues in this subcommittee have been wrapped up into the bigger, broader budget hearing for the entire Department of the Interior. As we move toward marking up a bill, I do think that it is beneficial for subcommittee members to have an opportunity to discuss the operations and programs of the largest land manager in the United States in greater detail than can be accomplished at the broader department-wide budget hearing for the Interior.

For fiscal year 2016, the President's budget has requested \$1.2 billion for the BLM. This is a \$107.6 million amount more than the current level. As I have noted in our subcommittee hearings, the President's request assumes Congress does not have to comply with spending limits. But with the budget that we passed last week, that assumption is no longer relevant. This subcommittee will have to make some tough choices about where to spend limited resources given the spending limits that we face in a way that the President's budget was able to avoid.

The BLM is responsible for managing roughly 250 million acres of Federal land—this is about 38 percent of the entire Federal surface estate—and 700 million acres of subsurface estate. The vast majority of this land is in our 11 Western States and Alaska.

BLM has a multiple use mission, part of which is facilitating most Federal onshore natural resource development. Consequently, BLM-managed lands are important economic drivers beyond recreation and conservation, and this is especially true in Alaska.

While BLM only manages a small portion of the Alaska land base because of the large size of my State, nearly one-quarter of all BLM lands are located in the State of Alaska, the largest portion of this land is within the National Petroleum Reserve Alaska, NPRA. It is no secret that I believe responsible development of our Nation's energy resources is important to both our economic and our national security. The resources within NPRA can and must be developed in a responsible manner, and as a Nation we are relying on the BLM to make this responsible development possible.

The work to bring affordable energy to our homes has come with some challenges. Prior to 1982, the Federal Government drilled more than 130 exploratory wells in an effort to determine the extent of oil and gas resources in the region. But unfortunately, those wells were abandoned and many of them are awaiting cleanup to this day.

Passage of the Helium Stewardship Act a couple years ago provided BLM with the funding needed to make progress on cleanup of these blights, and we have made some headway in that area. We recognize that there is more to be done here, and I look forward to asking you, Mr. Kornze, about both the contaminated well issue and implementation of the Helium Stewardship Act.

The BLM has made considerable progress on issues important to me and to Alaskans. I would like to thank you, Mr. Kornze, as well as Alaska State Director Bud Cribley. The team that has been working to complete the transfer of the economic tracks to see Alaska has worked well, and I appreciate that. I did have the opportunity to meet with Mr. Cribley a couple weeks ago. We are making some progress on the conveyance of Alaska lands under the Alaska Native Claims Settlement Act (ANCSA). It has been a long time in coming, though. It was the Alaska Lands Conveyance Act of 2004 that we passed and was signed into law, and the promise at that time was that the completion of the conveyances would be done by the 50th anniversary of statehood, which of course was 2009. We are sitting here in 2015. While we may be on track, we still have a ways to go there.

We have some other challenging issues that need to be addressed. The Greater Mooses Tooth Project. I have expressed my frustration with the mitigation requirements and other process issues that have proceeded throughout that process. And some of the issues have been settled, but we are still in a place where the Federal Government is proposing to put conditions on the project that threaten to make it unaffordable to move forward.

This is really about prioritization and pace of responsible energy development on public lands not only in Alaska but in the Lower 48 as well. I think many of my colleagues from the West can relate to the struggles that we face in Alaska.

The most challenging issue facing the interior West, where most of the BLM-managed lands in the lower 48 are located, is potential regulatory action relating to the Greater sage-grouse. While the threat of an Endangered Species Act listing looms, there are significant fears that regulations put in place to preserve sage-grouse habitat are perhaps even more restrictive and provide less certainty in the permitting process than an ESA listing. It is my understanding that the land use plan amendments that will govern management for sage-grouse on BLM and Forest Service lands will be made public at the end of this month. And like my colleagues, I look forward to the release, the evaluation, and reception by impacted States. The contents of those plans will help this subcommittee determine the merits of the requested \$45 million increase BLM requested for sage-grouse activities in the fiscal year 2016 budget.

The BLM included several other notable budget proposals, including the request to once again raise fees on public land users like grazers and onshore oil and gas producers. Oil and gas activities on public lands contributed more than \$5 billion to the Federal Treasury in 2014. So I am not convinced that raising fees will not reduce this contribution by discouraging activity on our Federal lands. Less activity will ultimately result in less revenue to the Treasury and the communities which rely on these activities for economic sustainability.

So, Mr. Kornze, I look forward to hearing from you this morning about BLM's national priorities, including renewable energy development, their role in the Secretary's wildfire strategy, and many other important issues before the committee.

So again, thank you for agreeing to be with us this morning.

And with that, I turn to my friend and ranking member, Senator Udall.

STATEMENT OF SENATOR TOM UDALL

Senator UDALL. Thank you, Chairman Murkowski. Good morning.

And I would also like to welcome Director Kornze. Thank you for joining us today as we discuss the fiscal year 2016 budget request for the Bureau of Land Management.

The lands managed by BLM in New Mexico are vital to our economic vitality and to our natural and cultural heritage. Oil and gas production, mineral extraction, renewable energy, grazing, and hunting and recreational opportunities from hiking to class 6 rapids all can be found on BLM lands and are a part of what makes New Mexico la tierra encantada.

I am proud to have worked with my constituents and this administration to designate two of BLM's newest conservation units, the Organ Mountains-Desert Peaks National Monument in the south and the Rio Grande del Norte National Monument in northern New Mexico. Director Kornze, I really appreciate that you came to the State personally to walk the land we were talking about protecting. You and the BLM employees in New Mexico were so supportive and helpful to work with us on these designations. And I appreciate the outreach that is taking place now to include the local communities in the planning process. Both monuments are up

for increased spending in the President's budget. We will talk about that today.

I am also glad that we will have time to discuss oil and gas production. We hear a lot about offshore production, but Federal lands are an important energy producer as well. In 2014, Federal lands were responsible for 41 percent of U.S. coal, 40 percent of geothermal, 11 percent of domestic natural gas, and 5 percent of domestically produced oil.

BLM also approved renewable energy projects for up to 16,000 megawatts of power. That is enough energy to take care of 4.8 million homes.

And BLM provides key access to minerals, including uranium, gold, silver, potash, gypsum, and building stones, sand, and gravel. This all makes a difference to our economy, our vitality, and our security.

I believe in responsible energy production and have long called for a "do it all, do it right" approach. Despite what its detractors may say, this administration has overseen a remarkable increase in oil development. We have seen an incredible 81 percent increase in production on public and tribal lands in 2014 versus 2008. Energy development is important to our economy in my State and elsewhere. But we also need to protect the environment and drinking water and make sure that the American public receives its fair share of revenue from industry's production of public resources.

The Government Accountability Office has had the Interior Department's oil and gas programs on its high risk list for many years. There are two major concerns: the BLM's lack of authority to collect inspection fees and the difficulty in hiring and retaining a skilled workforce. The President's budget once again proposes to collect \$48 million from new inspection fees for onshore oil and gas producers. This would bring onshore production in line with offshore production where Congress instituted an inspection fee in fiscal year 2012. And it would put the responsibility for paying for inspections on leaseholders not the American taxpayer.

Director Kornze, another issue is the sage-grouse. I know that you have spent a good deal of time on this. I would like to talk about the next steps with you this morning. While not on the same scale in New Mexico as we have recently dealt with the endangered species issues from the lesser prairie chicken and the sand dune lizard, listing and delisting of species by Congress goes against the intent of the Endangered Species Act. It requires that the Government make these decisions based on science not politics.

I believe that in New Mexico, we have created an effective model. In the case of the sand dune lizard, the U.S. Fish and Wildlife Service found that enough acres were enrolled voluntarily for legally binding conservation agreements for that protection to last and to take care of the species. It concluded that a listing was not warranted. For the lesser prairie chicken, Fish and Wildlife found that the significant conservation efforts were able to avoid an endangered species listing, but it was not enough to prevent a threatened listing. And the Service is working closely with the States to provide maximum flexibility under the law. I believe the process is working, bringing all stakeholders in to discuss how to protect species and habitat while ensuring economic growth.

So I look forward to talking with you, Director Kornze, about oil and gas, national monuments, sage-grouse conservation efforts, and other important matters. Thank you again for being here this morning.

Thank you, Madam Chair.

Senator MURKOWSKI. Thank you, Senator Udall.

Mr. Kornze, welcome to the committee. Mr. Kornze is the Director of the Bureau of Land Management for the U.S. Department of the Interior. You have generated a crowd this morning, which I am assuming is a good thing. It could be fan club. It could be lots of people with equal interests in this aspect of the Department of the Interior. So, again, we thank you for being here before the subcommittee this morning. We look forward to your opening statement and for the opportunity to ask some questions. So, Mr. Kornze, if you want to begin with your comments. Thank you. Welcome.

SUMMARY STATEMENT OF NEIL KORNZE

Mr. KORNZE. Thank you very much. Chairman Murkowski, Ranking Member Udall, Chairman Cochran, members of the subcommittee, thank you for the opportunity to be here with you today.

The Bureau of Land Management manages nearly 250 million acres of land across the country and 700 million acres of subsurface estate. That means 10 percent of the Nation's surface or more and nearly a third of the Nation's minerals and soils. We manage these lands under the dual framework of multiple use and sustained yield.

As you know, the BLM also manages nearly 20 percent of the State of Alaska.

I recently traveled to Alaska to meet with the Governor to discuss our innovative approach for surveying for land conveyances and hosted a Federal roundtable related to contaminated lands. We appreciate your partnership and support as we address the unique issues on public lands in places like Alaska and New Mexico.

Today, the entire Bureau's work is more complicated than ever, and the professionals at the BLM have to work hard to make quality choices in a difficult environment every day. And we make sure that the public has a strong voice in the work that we do. We play a major role in the economies of many States in supporting oil and gas development, all kinds of recreation, hunting and fishing, helium production, timber, coal production, ranching, wildland fire fighting, and even beekeeping.

Last year the BLM and the lands we manage supported more than 450,000 jobs across the country, and we are one of only a handful of agencies that returns more revenue to the Government than we receive in appropriations. In fact, for every dollar you provide, we return \$5.

In terms of the 2016 budget, I want to highlight four different programs today.

First is sage-grouse. The Bureau of Land Management is leading the west-wide effort with Western Governors from 11 States to strengthen management of sage-grouse habitat including extensive collaboration with State agencies, the Forest Service, the Fish and

Wildlife Service, counties, and many other partners. The President's budget requests a total \$60 million to engage our partners and implement projects on the ground that will reduce the threat of wildfire, that will slow and reverse the spread of invasive species, that will improve riparian areas, and that will remove hundreds of thousands of pinyon juniper trees. Without this investment in proactive sage-grouse conservation, the agency is more likely to be faced with difficult decisions in the future regarding balancing the conservation of this bird and many other important resources.

The second program I want to highlight is our National Conservation Lands. The President requests an important increase in this program this year. These special areas make up roughly 10 percent of the lands that we manage, but they receive roughly 25 percent of the visitors that we have to the Nation's public lands. Additional support for these congressionally and presidentially protected areas will allow us to provide basic levels of service to our many visitors and will boost the economies of local communities that rely on visitation to these areas.

The third program is the BLM Foundation. In connection with this budget, the President has moved forward language that would allow Congress to establish a chartered foundation, a nonprofit, that would support the Bureau in a manner very similar to the work done by the National Park Foundation, the National Forest Foundation, and the National Fish and Wildlife Foundation. I would submit to you that the Bureau of Land Management has the most complicated mission of any of these agencies, and we could greatly use the support and the outside facilitation that would come with the BLM Foundation.

The fourth program I would like to highlight today is the oil and gas fee proposal. In the last 10 years, the BLM has authorized more than 50,000 new oil and gas wells, bringing our total portfolio to nearly 100,000 wells nationwide. We are proud of oil and gas production on lands that we have a role in regulating. The production on those lands closely tracks comparable production on State and private lands. From 2008 to 2014, the years during this administration, oil production from lands requiring a BLM permit has increased 81 percent, from 113 million barrels to 205 million barrels. With the modest fee that we are requesting, we are seeking the ability to be responsive to the ups and downs of the oil and gas industry, ensuring that these activities are done safely on the public lands, and our expanding portfolio requires that we have more inspectors than ever before. It is a natural consequence of the success of the oil and gas program that we have. Today we have roughly 160 inspectors. We need 220. In order to get to where we need to be for a safe and responsible program, we need your help.

In conclusion, this is a very important time for the American West, for the Bureau of Land Management. And we greatly appreciate the relationship that we have had with this committee in years past and we look forward to working with you on the 2016 budget. Thank you.

[The statement follows:]

PREPARED STATEMENT OF NEIL G. KORNZE

Madam Chairman and members of the subcommittee, I am pleased to join you today to discuss the President's fiscal year 2016 budget request for the Bureau of Land Management (BLM). The BLM manages nearly 250 million acres of land and 700 million acres of subsurface estate. That's more than 10 percent of the Nation's surface and nearly a third of its minerals. The BLM manages this vast portfolio on behalf of the American people under the dual framework of multiple use and sustained yield. This means the BLM manages public lands for a broad range of uses including renewable and conventional energy development, livestock grazing, timber production, hunting, fishing, recreation, and conservation. We manage lands with some of the most significant energy development in the world and some of North America's most wild and sacred landscapes.

The professionals at the BLM make hard choices every day and we take pride in making sure the public has a strong voice in the work we do. Compared to many other Federal agencies, we are relatively small in number—just 9,700 full-time equivalent (FTE)—but the impact of the BLM and BLM-managed resources is tremendous. Recent Interior studies indicate BLM's management of the public lands provides an outstanding economic return to the American public. In 2013, activities on lands under the BLM's management were estimated to contribute over \$107 billion to the Nation's economic output and support more than 440,000 jobs across a broad range of industries. While the BLM receives just over a billion dollars in annual appropriations to support our programs nationwide, our programs support the collection and distribution of more than five billion dollars to the U.S. Treasury and to State governments each year.

Our fiscal year 2016 budget continues our tradition of serving the American public by supporting economic development and jobs in traditional and emerging industries, conserving our natural resources, reducing our dependence on foreign energy, protecting our Nation's cultural heritage, and preserving some of our Nation's most cherished places.

BLM BUDGET REQUEST

The fiscal year 2016 BLM budget request is \$1.2 billion, an increase of \$107.6 million from the 2015 enacted level. The budget proposes \$1.1 billion for the Management of Lands and Resources appropriation and \$107.7 million for the Oregon and California Grant Lands appropriation, the BLM's two operating accounts. The budget also proposes \$38.0 million in discretionary funding for Land Acquisition, to complement \$55.4 million proposed in mandatory Land Acquisition funding. These investments fall under the following program areas.

SUPPORTING AND MODERNIZING MANAGEMENT OF INCREASED ENERGY PRODUCTION

The 2016 budget advances the President's all-of-the-above energy strategy to continue to promote safe and responsible energy development. The fiscal year 2016 budget request advances the goals of this strategy with priority funding for both renewable and conventional energy development on public lands.

Renewable Energy.—In the past 6 years, the BLM has worked to facilitate a clean energy revolution on public lands through the approval of scores of utility-scale renewable energy generation and transmission projects. This includes 29 utility-scale solar facilities, 11 wind farms, and 12 geothermal plants, with associated transmission corridors and infrastructure to connect with established power grids. When completed, these projects will provide more than 14,000 megawatts of power, or enough electricity to power about 4.8 million homes, and provide over 20,000 construction and operations jobs.

The 2016 President's budget requests \$29.4 million for Renewable Energy Management, which maintains funding at the 2015 enacted level plus an increase of \$295,000 for fixed costs. This would provide the BLM the necessary resources to continue to actively facilitate and support solar, wind, and geothermal energy development on BLM lands, which will create jobs, provide clean energy, and enhance U.S. energy security by adding to the domestic energy supply. It will also support the President's aggressive goal of increasing the permitting of new renewable electricity generation on public lands to 20,000 megawatts by 2020. The BLM is committed to contributing to this goal by permitting environmentally responsible projects on public lands.

Conventional Energy.—The agency has also overseen continued natural gas production and a significant increase in oil production from public lands in recent years. Oil production from Federal and Indian lands in 2014 rose 12 percent from the previous year and is now up 81 percent since 2008—113 million barrels to 205

million barrels per year. For comparison, nationwide oil production over the same period increased 73 percent. It is also worth highlighting that the BLM continues to make public lands available for oil and gas development well in excess of industry demand.

The BLM works closely with partners across the country to ensure development of renewable and conventional energy occurs in the right places and projects are managed safely and responsibly. The President's budget proposes significant investments for improving how the BLM leases, permits, and inspects oil and gas wells, including updating regulations to reflect current industry practices and putting needed technology in the hands of BLM employees.

The 2016 budget for oil and gas management activities from all sources represents an increase of \$29.1 million over the 2015 enacted level, a roughly 20 percent increase. This additional funding will help make the BLM faster and more effective in responding to management challenges, public concerns, and the needs of industry. The President's budget reflects a new approach to providing resources to the field with a proposal to strengthen BLM's inspection program by charging a fee comparable to that charged in offshore oil and gas development. The new fee is estimated to generate \$48 million in 2016, which will provide a program increase of \$6.9 million for these activities, while reducing the need for direct discretionary appropriations.

The increased funding will allow the BLM to hire additional inspectors who are sorely needed to fulfill the agency's high priority inspection workload. Approximately 220 inspectors are required nationwide to complete the agency's large and growing inspection workload. While last year's budget provided a small increase for this program area, we remain understaffed in this important program, with only 155 inspectors. This increase is critical for the BLM to be more responsive to industry demand and a constantly changing inspections workload. Significantly, it will also support BLM efforts to address ongoing program management concerns that have placed the program on the Government Accountability Office's (GAO's) High Risk list. Finally, the President's budget also reflects the BLM's commitment to improving its processes for responsibly permitting oil and gas operations, requesting an increase of \$4.0 million to complete the final phase of the BLM's transition to a new electronic permitting system.

Coal produced from Federal lands is the source of over 20 percent of all U.S. electricity. The BLM is working to strengthen management of coal leasing activities and address recommendations made by GAO and the Inspector General (IG) in 2013 and 2014 reports. These efforts enhance the appraisal process and determination of fair market value when conducting lease sales, help ensure a consistent and efficient coal lease sale process, and enable BLM to account for export potential through analysis of comparable sales and income. An increase of \$1.1 million in Coal Management will support the automation and tracking of licenses, leases and permitting as well as inspection activities, including production verification associated with coal. A \$1.1 million increase is also requested for a similar automated tracking system in the Other Mineral Resources Management program.

Transmission.—The BLM also supports the modernization of energy transmission infrastructure. To support necessary upgrades for reliability and increased capacity, the budget includes a \$5.0 million increase to identify and designate energy corridors in low conflict areas and to site high-voltage electrical transmission lines, substations, and related infrastructure in an environmentally sensitive manner.

RESTORING SAGE-GROUSE HABITAT THROUGH PARTNERSHIPS AND COLLABORATION

To ensure the long-term viability of sage-grouse and the continued vitality of western economies, the BLM is leading an unprecedented, collaborative west-wide effort to update and strengthen management of sage-grouse habitat. Key collaborators include western Governors, State wildlife agencies, counties, the U.S. Fish and Wildlife Service, U.S. Geological Survey, and the U.S. Forest Service. The 2016 BLM budget request includes a total of \$60 million—a \$45.0 million increase over the 2015 enacted level—for implementing the Sage-Grouse Conservation Strategy to enhance sage steppe conservation and restoration; a landscape which supports significant economic activity and more than 350 species.

These funds will allow the agency and its many partners to take meaningful steps forward on restoring rangelands, minimizing the threat of wildfire, controlling invasive plants, and improving riparian areas. Since 2013, the BLM has targeted \$15.0 million per year toward the implementation of broad-scale sage-grouse planning and conservation activities. These efforts involve extraordinary collaboration between the BLM, western Governors, and non-governmental partners to conserve the sage steppe ecosystem.

SUPPORTING THE BLM NATIONAL CONSERVATION LANDS, AMERICA'S NEWEST
CONSERVATION SYSTEM

The President's budget includes an \$11.2 million program increase for the BLM National Conservation Lands, which celebrate their 15th anniversary this June. This investment will address high-priority needs in conservation areas, including providing basic support for recreation and visitor services. While National Conservation Lands represent only a small portion of the lands managed by BLM, one-quarter of all visitors to BLM lands visit these special areas. This investment will help to ensure these untamed places remain a legacy for all future generations.

Although visitation to BLM-managed lands has grown, financial investment in the Recreation and Visitor Services program has not kept pace with this growth. This request proposes an additional \$6.6 million to implement a National Recreation Strategy that aligns BLM Recreation & Visitor Services Program resources with the desired benefits sought by local communities. A strong commitment to conservation also means proactive management of cultural and paleontological resources. The 2016 budget also includes increases for programs funded through the Land and Water Conservation Fund, a vital component of the America's Great Outdoors initiative. The 2016 budget proposal includes a total of \$93.4 million for conservation land acquisition from willing sellers, including \$38.0 million in requested discretionary appropriations and \$55.4 million in mandatory funding.

OTHER PRIORITY INITIATIVES

Helium.—Additionally, the BLM has begun implementation of the Helium Stewardship Act of 2013, which authorized the program to transition out of the role it has played for a century. With the start of Phase B Helium Auctions and Sales last year, the BLM conducted its first ever helium auction that offered 92.8 million cubic feet (MMcf) and a sale that offered 835.3 MMcf of helium for delivery in fiscal year 2015 and an additional 250 MMcf of helium for delivery in fiscal year 2016. The auctioned helium sold for an average price of over \$161 per Mcf, much higher than anyone expected. The average auction price was factored into the helium sale price, which was set at \$106 per Mcf. As a result of the auction and sale, the BLM collected nearly \$130 million. Currently, the BLM is preparing for the next Helium Auction and Sale scheduled for this summer and expects to offer 25 percent of the helium available for auction which equals 300 MMcf of helium and the remaining Phase B Helium Sale volume for fiscal year 2016 of 600 MMcf. The BLM is expecting to use the average auction price to set the helium sale price. The BLM's crude helium sales are generating revenue for the American taxpayers and providing 22 percent of the world's annual Helium supply.

The BLM plays a significant role in Alaska and Arctic resource management and provides significant support to Native Alaskans. The 2016 BLM budget includes \$78.9 million for Alaska and Arctic activities, an increase of \$1.8 million above the 2015 enacted level. Some of BLM's priority activities in this region are highlighted below.

Legacy Well Remediation.—The BLM continues to prioritize clean-up of abandoned Federal wells in Alaska and has spent approximately \$70 million dollars towards this clean-up through fiscal year 2014. In fiscal year 2014, BLM spent over \$800,000 on priority wells on Simpson Peninsula preparation for winter remediation. Thanks to the leadership of Senator Murkowski and others who made the passage of the recent Helium Act possible, the BLM has spent nearly \$10.5 million on remediation of priority wells identified in the 2013 Legacy Well Strategic Plan. In March-April 2015, the BLM completed subsurface work in Umiat through an Inter-Agency Agreement with the United States Army Corps of Engineers, and with full coordination with the Alaska Oil and Gas Conservation Commission. Umiat #1, #3, and #11 were plugged, and wellheads were removed at the previously plugged wells, Umiat #4, #8, #10. The BLM is currently preparing to conduct surface clean-up in August 2015 at the Simpson Core Test sites 26, 30 and 30A, and take additional sampling to verify there are no remaining contaminants from the wells drilled in the early 1950s. This work is expected to cost \$1.03 million. Additionally, the BLM expects to have contracts in place for the winter of 2016 to plug and complete surface sampling of 7 legacy wells in the Barrow area.

Alaska Land Transfer Program.—For decades, the Bureau of Land Management has been surveying and monumenting lands based on standards outlined in a 1973 agreement between the agency and the State. The Bureau has recently taken a close look at the best available practices for this program and has determined that, using modern tools and techniques, the remaining surveys and conveyances can be accomplished in a substantially shorter amount of time while providing the State of Alaska with higher quality data than was ever envisioned in 1973. The new approach

also has the potential to save millions of dollars for the American taxpayer, while fulfilling the promise of land conveyances called for in the Alaska Statehood Act. This new approach is a significant opportunity for the State of Alaska and the Bureau of Land Management to jointly innovate and demonstrate meaningful progress on an issue important to many Alaskans. We look forward to formalizing these new and significantly improved procedures with an update of the 1973 MOU between the Governor of Alaska and the BLM Director.

In fiscal year 2015, BLM Alaska plans to survey nearly 4 million acres of Alaska Statehood Entitlement land, which will allow for patent issuance within 3 years. The BLM will also fulfill entitlements for 15 Alaska Native Claim Settlement Act (ANCSA) village corporations this fiscal year, which means the BLM will have completely fulfilled 50 percent of village entitlements in Alaska. Additionally, the BLM will undertake a number of surveys this field season including final entitlement surveys for seven ANCSA village corporations, survey of nearly 130,000 acres of regional entitlements (including three tracts of land for Sealaska Corporation conveyed pursuant to the 2015 National Defense Authorization Act), and three post-conveyance obligation surveys (ANCSA 14(c)) providing the affected village corporations site control for community development.

Alaska Native Claims Settlement Act Contaminated Lands.—The BLM is on schedule to submit a report to Congress in June of this year as an update to the 1998 Report to Congress. In recent years, the agency has focused on developing a comprehensive database of potential contaminated sites conveyed to ANCSA corporations based on inventories compiled by State and Federal partners in Alaska. To date, the BLM has reviewed the land status of over 6,000 sites within the database to determine whether they are on land conveyed to ANCSA corporations and which agency is responsible for the existing contamination. The BLM is currently facilitating a collaborative effort with Alaska Native corporations, Department of Defense agencies, the Federal Aviation Administration, the State of Alaska, and Alaska Native regional and village corporations to enhance the inventory data by verifying site ownership and site cleanup status on lands conveyed to ANCSA Native entities.

A preliminary review of inventoried sites in the database has found that a majority of sites are not on land conveyed to an ANCSA entity, most contaminated sites on conveyed land are on parcels that were not managed by the BLM before conveyance, and cleanup is complete or institutional controls have been established for approximately two-thirds of all known contaminated sites conveyed to an ANCSA corporation.

Arctic Council.—The Arctic Council is a consensus-based international body made up of the eight Arctic nations and six Permanent Participant organizations representing Arctic indigenous groups, four of which are rooted in Alaska. It allows for non-voting participation of observer nations and organizations, and manages six working groups that address matters of concern to the Council. The United States assumed the 2-year Arctic Council Chairmanship in late April, a responsibility that will require participation and engagement from all of the Federal agencies engaged in the Arctic. Interior has perhaps the most substantial Federal management role in the region, as we manage 74 percent of the U.S. landmass above the Arctic Circle and all of the Outer Continental Shelf beyond 3 miles from the coast. BLM Alaska alone manages 31 percent of the landmass in the U.S. Arctic and 40-percent of the landscape north of the Brooks Range (North Slope of Alaska).

Of the six working groups under the Arctic Council, the Conservation of Arctic Flora and Fauna (CAFF) Working Group is the foundation for the marine, terrestrial, freshwater and coastal environments. Currently, the BLM and North Slope Science Initiative co-lead a subgroup of CAFF, the Circumpolar Biodiversity Monitoring Program (CBMP), with the Kingdom of Denmark (Denmark, Greenland and Faroe Islands). The CBMP harmonizes data from many disparate sources and Arctic ecosystems across all eight Arctic nations to support effective and collaborative large-landscape management. These efforts provide critical information that U.S. Arctic resource managers leverage to make informed, defensible land management decisions in the Arctic.

LEGISLATIVE PROPOSALS

Establishing a BLM Foundation.—In connection with the budget request, the administration sent to Congress a legislative proposal for a congressionally chartered non-profit foundation for the BLM. A foundation would strengthen the BLM's efforts to link Americans to their public lands through an organization that would raise and spend private funds and foster constructive partnerships in support of the BLM's mission. The foundation would operate in a manner similar to the National

Park Foundation, the National Fish and Wildlife Foundation, and the National Forest Foundation, all of which were approved by Congress.

Oil and Gas Management Reforms.—The administration proposes a package of legislative reforms to bolster and backstop administrative actions being taken to reform the management of Interior's onshore and offshore oil and gas programs, with a key focus on improving the return to taxpayers from the sale of these Federal resources and on improving transparency and oversight. Proposed statutory and administrative changes fall into three general categories: advancing royalty reforms, encouraging diligent development of oil and gas leases, and improving revenue collection processes.

Royalty reforms include evaluating minimum royalty rates for oil, gas, and similar products; adjusting onshore royalty rates; analyzing a price-based tiered royalty rate; and repealing legislatively mandated royalty relief. Diligent development requirements include shorter primary lease terms, stricter enforcement of lease terms, and monetary incentives to get leases into production, for example, through a new per-acre fee on nonproducing leases. Revenue collection improvements include simplification of the royalty valuation process, elimination of interest accruals on company overpayments of royalties, and permanent repeal of Interior's authority to accept in-kind royalty payments. Collectively, these reforms will generate roughly \$2.5 billion in revenue to the Treasury over 10 years, of which an estimated \$1.7 billion will result from statutory changes. Related to these initiatives, the BLM recently released an Advance Notice of Proposed Rulemaking that seeks comments on whether: royalty rates for new competitively-issued leases should be changed; annual rental payments and minimum acceptable bids should be increased; and bonding requirements and civil penalty assessments should be changed.

Hardrock Mining Reform.—The 2016 budget includes two legislative proposals to reform hardrock mining on public and private lands by addressing abandoned mine land hazards and providing a better return to the taxpayer from hardrock mineral production on public lands. The first component of this reform addresses abandoned hardrock mines across the country through a new Abandoned Mine Lands fee on hardrock mineral production. The second legislative proposal institutes a leasing process under the Mineral Leasing Act of 1920 for certain minerals—gold, silver, lead, zinc, copper, uranium, and molybdenum—currently covered by the General Mining Law of 1872. Under this proposal, mining for these metals on Federal lands would be governed by the new leasing process and subject to annual rental payments and a royalty of not less than 5 percent of gross proceeds.

Recreation Fee Program.—The budget proposes legislation to permanently authorize the Federal Lands Recreation Enhancement Act, which will expire on September 30, 2016. The BLM currently collects approximately \$18.0 million in recreation fees annually under this authority and uses them to enhance the visitor experience at recreation facilities. These funds represent a significant portion of all the resources BLM has to devote to supporting recreational activities on public lands.

Reauthorize the Federal Land Transaction Facilitation Act (FLTFA).—The 2016 budget proposes to reauthorize the Act, which expired in July 2011, to allow lands identified as suitable for disposal in recent land use plans to be sold using the FLTFA authority. The sales revenues would continue to be used to fund the acquisition of environmentally-sensitive lands and to cover the administrative costs associated with conducting sales. Utilization of the FLTFA authority would help simplify the land patterns of the American West, promoting both conservation and community development goals.

CONCLUSION

The President's fiscal year 2016 budget request for the BLM makes important investments at a critical time for our agency and for the lands we manage across the Nation. The BLM has a unique and broad mission to manage public lands for multiple-uses and for sustained-yield. I am incredibly proud of the work done by BLM employees every day to ensure the agency is engaging with and listening to our partners and the communities we serve. I look forward to continuing our close partnership with this subcommittee as we strive to provide BLM's professionals with the tools and resources they need to succeed and to make our public lands an even larger contributor to the success of communities across the United States.

Thank you for the opportunity to present this testimony.

Senator MURKOWSKI. Thank you, Director Kornze.

As a courtesy to the chairman of our full committee, I am going to turn to Senator Cochran for any comments that he might make and he may ask the first question.

PINEY WOODS SCHOOL

Senator COCHRAN. Well, thank you very much, Madam Chairman. I am pleased to join you in welcoming our witnesses today to review the BLM's budget request for fiscal year 2016.

In my State of Mississippi, the Piney Woods School is located in the central part of the State and has an agreement with the Bureau of Land Management to house a wild horse and burro short-term holding facility. That agreement ended in March, and it is my understanding that there have been some complications related to closure of the facility. I hope we can get your commitment to personally look into this and work with the Piney Woods School to reach a reasonable resolution of this issue.

Mr. KORNZE. Chairman, I appreciate your raising this issue. I just recently became aware of the parting of ways between our program and the Piney Woods School, and I have asked my State director to head down there. She will be there before the end of the month. And we will take a close look at what is going on and see what we can do.

Senator COCHRAN. Thank you very much.

I yield back. Thank you.

Senator MURKOWSKI. Thank you.

I will go ahead and turn to Senator Udall for his questions, and the next is Senator Cassidy.

CHACO CANYON

Senator UDALL. Madam Chair, thank you very much.

Chaco Canyon is critically important to my State as an incredibly rich cultural destination, as well as a sacred place to the tribes of the Southwest. But as you know, Chaco Canyon is situated right in one of the most productive oil and gas production areas in the country. It appears that many new leases are getting closer to the Chaco Cultural National Historic Park, which really concerns me. Our congressional delegation in a letter we sent yesterday—I believe you have a copy of that. It was sent to Secretary Jewell and the assistant secretaries. And what we are requesting is that the assistant secretaries take a personal look at this issue and come to New Mexico to hear the concerns of our constituents.

I have a couple of questions here. One, can I get your commitment to work with me to ensure that oil and gas leasing near this iconic site are handled with the utmost consideration for the archaeological value that Chaco holds?

Mr. KORNZE. Absolutely, sir. I have not had the pleasure of seeing Chaco myself, but I look forward to it. And I know that this is an issue that we have been taking very seriously and we will continue to work with you on.

Senator UDALL. Thank you. Thank you very much.

I understand there is some potential for increased production in the San Juan Basin both for shale gas and shale oil. What is the status of the regional resource management plan, and how will it address future increased production in and around Chaco?

Mr. KORNZE. Right now we are operating under a plan from 2003 for the Mancos shale area, or the San Juan Basin. We initiated a new plan last year in 2014. It will take us reasonably another 3

or 4 years to complete that plan. But in the time since 2003, there has been the revolution in shale production, and we will address that and look at the future prospectivity and make sure that is built into our operations.

Senator UDALL. And you work through these issues in all your resource plans I believe.

Mr. KORNZE. We do.

NEW MEXICO/ARIZONA STATE OFFICES

Senator UDALL. Shifting direction here a little bit, you and I have talked about a possible proposal to merge the New Mexico and Arizona State BLM offices. As you know, I am very skeptical of this idea. Having a State director in New Mexico focused on New Mexico's many unique public lands issues has served us well for decades. Many New Mexico stakeholders, including former Bureau managers, are concerned that a merger might mean less for a State director to focus on New Mexico. And I share those concerns.

What I want is for the people on the ground to have the best customer service. How can you assure us that services will not suffer? Will there not be a negative local impact?

Mr. KORNZE. I appreciate you raising this issue. Your priority is also my priority in making sure that we have the best customer service in the offices where we have the most contact with the public. In the last 5 years, we have seen a reduction of 12 percent in BLM employees in full-time equivalents (FTE's). It is a major reduction in our workforce. It means less public contact. It means more work falling on the shoulders of fewer people. I am very proud of the work that the agency does, but it really puts us in a very difficult position in terms of serving the needs of the communities that are important to you and important to us.

So part of the Arizona-New Mexico concept, which no decisions have been made on, is we have to run on two tracks.

One is working with you. We have a budget in front of you that we think is a great blueprint for success and allows us to move in the direction of fulfilling our mission better and more fully.

On the other hand, we frequently receive requests from Congress to figure out, within the pie that we have, how could we run more efficiently. And so one of the tools that we have is to look within our management structure and see if there are ways where we can push more of the resources that have previously been invested there to our field offices, to our district offices, so that our boots on the ground are there and that we have the people and the support for the communities that see the greatest impact in places where the permitting gets done or plans get done.

So I look forward to working with you on this. I think a lot more conversation should take place, and I appreciate you keeping an open mind about it as we proceed.

Senator UDALL. I could not agree with you more, Director Kornze. I want to work with you on this and hear all of your proposals that you lay out.

I have two additional questions that I will give you for the record because I know you are preparing some things to move us down the right road here. What is your plan for stakeholder outreach in the five States that will be impacted by this proposal?

[The information follows:]

POTENTIAL CONSOLIDATION OF ARIZONA AND NEW MEXICO STATE OFFICES

The BLM has commissioned a small team of employees from both the Arizona and New Mexico organizations to take a hard look at workload in the two States to identify more precisely where efficiencies can be gained and assess where there are critical, unmet needs. This will identify where the BLM may focus any resources made available by gains in efficiencies. Once this information is in hand the BLM will conduct outreach to all groups who may be affected by this potential change.

And do you have the metrics from past efforts that demonstrate the pros and cons of this kind of consolidation?

[The information follows:]

As for the pros, consolidating administrative and oversight functions increases the efficiency of the organization because less of the BLM's budget will be invested in these functions and more will be invested in on the ground work. Consolidating the administrative and oversight functions increases the productivity of the people engaged in these functions since they will provide services to a larger number of employees. Consolidating the two organizations allows for BLM resources to be focused at lower levels in the organization where more direct service to the public takes place.

As for the cons, requests for reconsideration of District Manager decisions may take longer to process. In addition, there are likely to be some implementation costs to consolidating the two State offices.

But my next question—and I am running out of time here—is pretty quick. But New Mexico has these two new national monuments I talked about. And the President's budget includes \$4.4 million for New Mexico's national monuments and national conservation areas, including Organ Mountains-Desert Peaks and the Rio Grande del Norte. One of the reasons I supported creating these national monuments was to increase awareness across the country of the uniqueness of these landscapes.

Have you already seen an uptick in visitors to these areas? What can you report there in terms of what is happening on the ground?

Mr. KORNZE. One of my favorite examples of the power of some of these protected areas is the Rio Grande del Norte. In the 1 year after designation, the local county saw a 30 percent uptick in room taxes, and they expect that was corresponding to a 40 percent increase in visitorship. So the local economy was very excited about that. There were a lot of businesses on board, and I think that is paying dividends for the investment that they are making in their nearby public lands.

Senator UDALL. Thank you very much.

Thank you, Madam Chair.

Senator MURKOWSKI. Senator Cassidy.

LAND ACQUISITION

Senator CASSIDY. Hi, sir.

So Louisiana has 738 acres in the BLM. But then I look at this map, and you guys own Nevada.

Mr. KORNZE. We manage quite a bit of it. We do.

Senator CASSIDY. And he tells me you own a third of—or the Feds own a third of Montana. And Alaska—I believe I learned more about Alaska, since becoming a Senator, than I ever thought I wanted to know.

But you are impressive on this map. Why do you want \$38 million more to buy more land? I mean, I am looking at this thinking,

wow, let us break the addiction. You see what I am saying? We need some rehab. So why do you want to buy more?

Mr. KORNZE. So I think you are talking about the Land and Water Conservation Fund and potential land acquisitions that would come with that. It has been a very important program for the Nation in terms of a decision that this Congress made to reinvest proceeds from the Outer Continental Shelf—

Senator CASSIDY. We are billions behind in maintenance. And you got, Mr. Udall, 12.5 million acres in New Mexico?

Senator UDALL. That is right.

Senator CASSIDY. It seems like we should be selling. I say that in all seriousness. If I was Nevada, I would be really angry. Do you see what I am saying? They do not control their destiny. You do. Why are we buying more?

Mr. KORNZE. Well, I think the simple answer from the perspective of the Bureau of Land Management is this Congress and a previous President decided that—and made a very bold decision in the 1970's—that the estate that we have should remain in Federal management for the benefit of the public good. So that is our organic act that lays out that desire.

Now, the estate that we help manage is more scattered than other agencies. If you work for the Park Service or the Fish and Wildlife Service, you have a nice bright line around the lands that they manage. For us, however, sometimes it is checkerboard, you know, across much of northern Nevada where I am from.

Senator CASSIDY. So we you want to fill in the checkerboard.

Mr. KORNZE. There is a very significant pattern of complexity, and so in many cases, whether it is in a conservation unit or elsewhere, acquisitions can, in fact, decrease our management costs by providing a more unified—

ROYALTY RATES

Senator CASSIDY. I accept that rationale, though I am skeptical of the kind of overall kind of, my gosh, how much are we going to own.

I want to move on, not to be rude, but because I have other things.

You want to increase the royalty payments. Now, there is going to be some price point by which a well is profitable. Obviously, there is going to be transportation costs. There is going to be production costs. So if it is \$50 per barrel, as required for something to remain open, have you all done modeling of the assets that you lease, their economic viability given the current price of oil, and what your additional royalty payments will do to the economic viability of that? I am asking because of the jobs, and so I ask kind of as an academic, if you will.

Mr. KORNZE. Well, I think in order to put some baseline here, most States have an oil and gas royalty rate of more than 16 percent. Sixteen to twenty-five percent is what most States have. The Federal Government operates at 12.5 percent. So you already see a distinction there.

The Government Accountability Office (GAO) has put us on their high risk list, and part of it is because of the royalty rate and their

concerns about our ability to have a fair return for the American taxpayer.

So we have not made any decisions related to a royalty increase. We have an advance notice of proposed rulemaking out to the public, which has a number of questions so that we can look at questions like what you have raised in terms of what the impact of potential increases would be or potential models that might not simply raise the rate but under certain economic conditions would allow the rate to rise.

Senator CASSIDY. So you mentioned your tiered royalty rate. It would go up under certain circumstances not under others?

Mr. KORNZE. Well, under offshore, for instance—

Senator CASSIDY. No. Onshore.

Mr. KORNZE. Yes, but I think it is important to note for the audience that offshore, the rate is 16 percent and a little bit, and on a lease-by-lease basis, they raise that. So usually it is more than 18 percent. And so we would be looking at whether or not models like that or related models would be something that would be of benefit to the American taxpayer.

Senator CASSIDY. Got you. I do not know this, and so I am asking as purely a question to inform myself. You mentioned repeal legislatively mandated royalty relief. I am not familiar with that legislatively mandated royalty relief. What does that pertain to?

Mr. KORNZE. I would need more context.

Senator CASSIDY. It is in your testimony.

Mr. KORNZE. There are a number of proposals that the Office of Management and Budget (OMB) and others have pulled together for potential revenue raisers. I think within the oil and gas lexicon there are some fairly complicated tax law and other financial pieces. We could get back to you with more detail.

[The information follows:]

FEDERAL ONSHORE OIL AND GAS REFORMS

The 2017 President's budget includes a package of legislative reforms to bolster and backstop administrative actions being taken to reform management of Interior's onshore and offshore oil and gas programs, with a key focus on improving the return to taxpayers from the sale of these Federal resources and on improving transparency and oversight. One of the components of this package of proposed reforms is the repeal of legislatively mandated royalty relief. Specifically, the budget would repeal section 344 of the Energy Policy Act of 2005, which provides incentive for natural gas produced from deep wells in shallow water in the Gulf of Mexico. The repeal does not pertain to existing leases that incorporate the section 344 relief authority. It would only apply to new leases issued after enactment of the proposed legislative.

Senator CASSIDY. Please. I am unfamiliar with that, so I would appreciate that.

And I think I will yield back now. Thank you.

Senator MURKOWSKI. Senator Merkley.

TRANSMISSION LINES

Senator MERKLEY. Thank you, Madam Chair, and thank you, Director Kornze.

A couple questions I wanted to get through. One of the issues—and you mentioned it in your testimony—is the challenge of draft guidance regarding sage-grouse. And under the BLM's preferred alternative, it mentions the potential strategy of burying trans-

mission lines as a mitigation measure. And this particular provision has produced a lot of feedback in Oregon from our electrical co-ops. The estimate is it would cost about \$3 million a mile to bury a line.

And to give you one example, in eastern Oregon, Harney Electric—they have 42 miles of transmission lines through sage-grouse habitat and 201 miles of distribution lines. So primary lines and then distribution lines. The estimated cost to bury those lines would be \$400,000 per customer. Obviously, we stretched a lot of wire to reach communities that were small communities so they could be electrified.

Is this strategy one that remains high consideration by the BLM, and how would a small electrical co-op possibly pay to bury lines at \$3 million a mile?

Mr. KORNZE. In terms of burial of lines, it is something that we are looking at more and more in our analysis. It is not necessarily something we are requiring. But as the West fills in, and as we have more needs, more uses and more sensitivities on the public lands, it is one of those tools in the toolbox, and I cannot tell you it is something that is going to be required.

In New Mexico, for instance, we were working on a very long line called SunZia and worked with the military with the idea that some small portions of that might need to be undergrounded to prevent impacts to the White Sands Missile Range.

Similarly, if new lines were built, in some areas we might look at undergrounding as a way to limit impacts on important bird populations.

So it is a tool in the toolbox. It might be part of an analysis.

Senator MERKLEY. Under your preferred alternative, I do not think that it referred specifically to new power lines, but is that your clarification that you are offering today is that that is the context within which you look at that?

Mr. KORNZE. Well, we will be releasing those plans in a few weeks, so I do not want to get into fine details today. But this is an issue where I think there is going to be flexibility for your teams. My sense is we are not looking retrospectively.

HYDRAULIC FRACTURING

Senator MERKLEY. That is helpful. Thank you very much.

I want to turn to fracking on BLM land. We have about 100,000 active wells, others that are not active. 90 percent of those wells use fracking. And I am pleased that the agency finalized a rule in March to update the fracking regulations, but I have some concerns about it.

It is weaker than many States. For example, Wyoming requires publication of the proposed chemical components before fracking occurs so that a baseline can be established to compare the impact afterwards. Unfortunately, the BLM rule does not match Wyoming.

Also, there is a loophole in the BLM rule regarding trade secrets. And specifically, as I understand it, all that a fracking operator has to do is assert that they believe that they meet the standard for trade secrets, and that is just a done deal. So it is very easy. I just say, yes, my chemicals probably meet this, so therefore this information is not going to be disclosed, which is a pretty big loophole.

That pretty much violates or wipes out the entire fling of the disclosure. This is chemicals on public land. This is our public land. This is not private land. And that is a pretty big deal to have a secret soup of chemicals that the BLM loophole is going to allow to continue to be private.

And there is also not even, in that situation, a disclosure provision for first responders and medical professionals. Colorado has such a program. Pennsylvania has such a program. Texas has such a program. Why did the BLM have such deficient provisions in its rules in March?

Mr. KORNZE. Well, I consider the hydraulic fracturing rule to be a major step forward. A lot of our oil and gas regulation at the Bureau of Land Management dates back to the 1980s. Some of it dates back to the time of Dwight D. Eisenhower. So it is time for a fresh look at a lot of our rules. Hydraulic fracturing has just been finalized as a rule, as you noted. Our three big pieces—

Senator MERKLEY. But should the public not have a right to know what chemical soup is put into the ground on public lands?

Mr. KORNZE. Yes. And so one of the key pieces of the three is disclosure. There is an exception for trade secrets.

Senator MERKLEY. But does that not wipe out the self-assertion of trade secrets, wipe out the requirement for disclosure?

Mr. KORNZE. We are operating in a similar way to most States. So Wyoming, which you pulled as a best case scenario under a different piece—they have a trade secrets exception. We do as well.

However, we have the ability to go and get that information. So it is held by the company. They have to sign an affidavit that the information that they are withholding meets a whole set of standards, and they have to sign that at a fairly high level within their company. If we have doubts about that or if we have a medical incident or we have other concerns, we can access that information and we can use that information in an appropriate way. So it is not as though that information is off to the side and is some sort of secret soup.

Senator MERKLEY. So I am out of time, but it is secret soup if it is not posted for the public to be able to access it and if a company can easily assert, as I understand they can, the trade secrets provision. You say they have to sign an affidavit. However, that is a signature. That is a pretty simple standard there.

And the information under your rule is put on an industry-funded website that has been reported to be inconsistent information, limited information, and very difficult for the public to search. And so it does not meet the Federal standards for databases.

So these are real concerns, and I think it is important to keep looking at it. The public deserves to know what chemicals are put into the ground on public land.

Mr. KORNZE. I am saying on the trade secrets that there are trade secret laws that have been passed by this country. So we are trying to honor that while also having disclosure that is meaningful for the public. So it is a balancing act.

And in terms of the disclosure mechanism, FracFocus, we are now a member of the FracFocus board. We have commitments from FracFocus to make significant improvements related to the searchability of their database and the information that is on there.

And part of the use of that system, frankly, is a matter of just practicality. Many States—I believe somewhere in the ballpark of 20 States—are already using it. So we are trying to go in a place where industry has some experience. Department of Energy is doing a lot of funding of that system now. But also when the Secretary of Energy's advisory board estimated what it would cost the Bureau of Land Management to stand up and maintain a system like that, it was somewhere in the realm of \$25 million. So I am trying to scrape together every dollar I can for work, the sage-grouse, land conveyances, other programs, and if there is an outside system that we think can get to a quality standard that meets public standards, it is important that we head in that direction.

Senator MERKLEY. Thank you.

Senator MURKOWSKI. Senator Daines.

HYDRAULIC FRACTURING

Senator DAINES. Thank you, Madam Chair.

It is good to see you here this morning, Director Kornze. Also, you notice we have a lot of Western States here. We have got Oregon. We have got New Mexico. We have got Alaska. We have got Montana.

And I know Senator Cassidy was talking about, I think, less than 1,000 acres of BLM ground there in Louisiana. I will say he made the comment about the Land and Water Conservation Fund. It is a very important tool in the tool chest in my opinion as it relates to our ability actually to improve our access to our public lands. We have 2 million acres in Montana of public lands that we do not have access to, and the LWCF is a tool that we use to provide better access for the public to their lands.

But thank you for being here this morning.

As we have spoken before, Montanans rely heavily on their natural resources for energy, for mineral development, for jobs, for tax revenues to fund our teachers and our schools. And we understand that acting safely and responsibly is the only option when exploring and producing these resources.

Unfortunately, developing our Federal land in Montana has become laden with red tape and creating challenges both in terms of time and money for responsible development.

As I mentioned in April at the Energy and Natural Resources Committee hearing on hydraulic fracturing, Montana updated its rules in 2011. And as Senator Merkley was talking about the regulations, we have some of the most robust hydraulic fracturing rules and regulations in Montana developed there in the State in the Nation. And our State depends on hydraulic fracturing to be able to access these mineral resources to create the jobs, generate the tax revenues I talked about.

The question for you is, how exactly is BLM proceeding in implementing the final rule for hydraulic fracturing, and how much do you believe it will cost BLM to do that?

Mr. KORNZE. So I appreciate the opportunity to continue our conversation from a previous hearing on this.

We are moving ahead through a lot of public outreach, number one. We have had a number of conversations with State regulators to make sure that we are sitting down and we are understanding

the best ways to work together because there is some flexibility built into our rule to make sure that we can honor higher standards like the ones that you are calling out for the State of Montana, and then similarly sitting down with industry and making sure they understand what the regulations are. We have sat down with hundreds of operators. And so we are being very aggressive about that outreach to make sure there are no surprises and that we have a fluid, successful implementation.

Senator DAINES. Do you have idea what it might cost? And the reason I ask that question is here we are struggling in Washington, wanting to achieve balance in our budgets, safeguarding the taxpayer. And yet, there is a redundancy now coming in in Montana. We have very robust regulations for hydraulic fracturing, and now we have the BLM coming in saying we also want to be a part of this equation, when we think we could save the taxpayer a lot of money, as well as ensure that we are safeguarding our resource with these very robust regulations. Any idea what it might cost BLM to implement these regs?

Mr. KORNZE. Well, I will give you some numbers to work with on potential costs. But I think it is important to point out that we work in a Federalist system, and the Bureau of Land Management has oil and gas leases in 32 different States for which we have oversight responsibility. Montana may have done a knock-out job. Alaska may have done a knock-out job with their rules locally, but only roughly half of the States that we have to regulate have stepped forward and put forward hydraulic fracturing rules. So we designed a rule to be a basic layer or basic standard largely modeled off of efforts throughout the West.

Related to cost, we think this is going to take us on average for your average drilling permit, application for permit to drill (APD), about an additional 4 hours. So when you add that together against all the APD's that are coming in, we think it will be about an additional 12 positions that we will have to fill.

SAGE-GROUSE

Senator DAINES. I want to pivot over and talk about sage-grouse. Another potential major challenge to responsible energy development in Montana is the potential listing of the Greater sage-grouse and specifically the proposed stipulations in BLM's resource management plans. Now Montana recently approved and funded its sage-grouse conservation plan. It is good news. It is investing significant resources. It is my understanding the Montana plan is significantly different than the draft Federal plans, including when it comes to surface occupancy around leks.

My question is when is the BLM scheduled to release the final resource management plans in Montana?

Mr. KORNZE. I would note we have had a fantastic dialogue with Governor Bullock and Tim Baker, a lot of folks in your State. We do appreciate them stepping forward and your entire legislature recently in funding a very good system on the State side.

The BLM plans will be coming out within a few weeks, so before the end of the month.

Senator DAINES. And how will these plans reflect Montana's plan?

Mr. KORNZE. So we will have to see in the final, when it comes out, the fine details. But I will tell you that we have built in special flexibility related to the needs of each State. Oregon has a special system. Idaho has a special system. Montana has a special system. Wyoming has a special system. There is commonality amongst all of them, but we have been at the table and listening intently and working closely with partners in the State of Montana to make sure that we can get as close to something that works for them as possible.

ROYALTY RATES

Senator DAINES. I appreciate the flexibility you have been able to give on that so we can come together with a solution that will ensure that the sage-grouse is not listed. So we look forward to further discussions.

Last question is regarding the increased royalty rates. Director Kornze, I am aware of the Department of the Interior's proposed budget requesting reforms to Federal onshore royalty rates and also the Department of the Interior's advance notice of proposed rulemaking. Now, according to a Department of the Interior report for 2011, increasing Federal royalty rates could result in a competitive disadvantage for energy production on Federal lands.

Has your Department done analysis how increasing royalty rates on Federal land would increase or potentially decrease production on Federal lands?

Mr. KORNZE. So we are at the first step of a multi-step process in a potential rulemaking related to royalty rates. So we will have an analysis on those questions as part of what we do.

One thing to point out about the GAO concerns and the reason that we are on the high risk list, which is a list you do not want to be on if you are a Government agency—there are only 25–30 different programs on it—is that they believe—and they have put this in their reports—we are passing up on billions of dollars in revenue annually that belong to the American taxpayer.

So we will balance all these things out, but the ability for industry to lean forward and produce and make American energy is something that we care greatly about.

PRODUCTION ON FEDERAL LANDS

Senator DAINES. Yes. And I look forward to further discussions. I know I am out of time, Madam Chair. I know we have seen production certainly on private and State lands is up 60 percent since the President took office. It is down 6 percent on Federal lands. So I look forward to further discussions as it relates to how we are continuing to help out the taxpayer, creating jobs. Those jobs are paying taxes and certainly have been a big boost to this economy.

Thank you.

Senator MURKOWSKI. Thank you, Senator Daines.

And I will just follow up with some comments here. It is somewhat interesting in recognizing it was out of the Department of the Interior in 2013, the report that was commissioned by the Department of the Interior (DOI), that did conclude that raising the royalty rates on the onshore oil and gas production would discourage

investment and thus bring less money into the Treasury and thus was not warranted.

So now GAO comes out with a report, and what we see is, in the budget proposal, we are going to increase the—the proposal is to increase the rates.

I appreciate the fact that you are saying you are going to do an analysis, but one would think that you would do the analysis before you move to advance it through a budget proposal. So I agree with Senator Daines. That is something that I am concerned about because I think it is going to have an unintended consequence or perhaps intended, depending on your perspective. I think it is important that we do what we can to increase production on our public lands and thus increase revenues to our Treasury because production is up.

It is interesting to me that when you look at the leasing statistics through BLM over the past couple decades, we are seeing a decline in the leasing. Throughout the Clinton administration, the average acres leased per year was 3.3 million. Then in the Bush administration, the average was 3.6 million per year. During the first 6 years of the Obama administration, the number drops to an average of about 1.6 million acres per year. So this is a trend that in my view is not good for us, and then when you overlay the hydraulic fracturing rules, the proposals to increase regulation on methane, possibly this proposal to increase royalty rates, I see that just pushing it down further.

Can you give me any hope that in fact we are not going to continue this downward trend but that we are going to see increased production on our public lands?

Mr. KORNZE. I can give you a lot of hope.

Senator MURKOWSKI. Good. I want a lot of hope.

Mr. KORNZE. Because we have seen an 81 percent increase. On the places where you need a BLM permit to operate, we have seen an 81 percent increase in oil production during this administration.

Senator MURKOWSKI. So not necessarily new leases but on existing leases, you are seeing increased production.

Mr. KORNZE. It would be a combination of both. So we have seen a huge increase, which we are very proud of being part of.

And then there are also some important numbers out there. One is that 34 million acres of land have been leased. Only a third of that is producing. So within industry's hands today there is significant head room for development.

Senator MURKOWSKI. Would you agree that some of the limitations on the ability to produce have been related to some of the regulatory issues? I mean, all you need to do is look at National Petroleum Reserve Alaska (NPRÁ), and it is a perfect case in point in terms of acreage out there that is being leased. But we are not seeing a drop of anything at this point in time, and it is not because you do not have operators that are willing and able to move forward. You have got a lot of going at one another through regulatory requirements that is just stalling out any initiative there.

Mr. KORNZE. Well, I am not sure that is always the case. So in the Lower 48, there is an average of about 3,000 wells drilled on public and Indian lands each year. We, however, have 6,000 permits that we have approved and are ready to go. So industry has

come in. They said we would like to drill here. We have approved that application. It needs no further work from us at all. They can start today.

Senator MURKOWSKI. How do you respond, though, to those—and I was out in North Dakota with Senator Hoeven some years ago, and you talk to the operators that are ready, willing, and able to go. They have got Federal leases. But quite honestly, they can move to production so much more quickly on State and private lands than they can on the Federal that they will literally go around Federal lands. They will look for every opportunity to be anywhere except our public lands.

Mr. KORNZE. Well, I think when you look at the fact that we have a 2-year front-log essentially of permits that are ready to go, I think somewhere there is a disconnect that is very important because there is huge opportunity out there for industry to produce today.

Senator MURKOWSKI. We understand that there is huge opportunity, and as I am talking to those who are ready, willing, and able to go, they tell me their biggest obstacle is our Federal Government. It is not that they do not have the technology. It is not that they do not have the capital to invest. It is the regulatory hurdles that they face in accessing our public lands.

ONSHORE PERMITTING

Mr. KORNZE. And I hear that occasionally too. Those 6,000 permits, the 2 years' worth of work that can be done today—there are no hurdles. There is nothing. So there are 2 years' worth of work. There are billions of dollars of investment that is available.

And I do appreciate that we need to have a forward-leaning system for developing American energy. We are doing that. There are places where we certainly can improve. Our permitting times are one of those. So a few years ago, when I joined the Bureau of Land Management, we were at 300 days per permit. We are down to roughly 200–225 days.

Senator MURKOWSKI. That is certainly not in Alaska.

Mr. KORNZE. Well, we are headed in the right direction. One thing that we are doing system-wide is we are going to an online system so that instead of passing paper back and forth, which is a big time-killer, we potentially can get down to averages like they have seen at times in Carlsbad, New Mexico where it is in the 60–70 day realm. So we are moving aggressively. We are trying to find some of the efficiencies that I think you are pointing at.

Senator MURKOWSKI. Well, and we need to find those efficiencies. I wish I had the chart with me today that shows how long it takes to get to permitting on State, private lands versus how long it is taking us through our BLM lands. And the contrast is extraordinary. And there are lands that are literally side by side, and in many cases, operators that clearly know what they are doing. So saying that we can do a better job I think belies the obvious, and I think this is one of those things that we need to get down to.

I know that within the Department of the Interior, you have got a stated goal of permitting 10,000 megawatts of renewable energy production on Federal lands. We met that goal back in 2012, I am

told. But it does not seem that we are willing to dedicate equal focus to our more traditional energy sources on public lands.

Do you even have a measurable goal for conventional production of oil and gas on our public lands?

Mr. KORNZE. I would say that our budget reflects a serious commitment to conventional energy.

CONVENTIONAL ENERGY PRODUCTION

Senator MURKOWSKI. But I mean, do you have a goal? As you stated earlier within the Department in terms of what it is that we want to see with renewables, you set a goal out there. You met it. Do we do the same for conventional?

Mr. KORNZE. We do not.

Senator MURKOWSKI. Why is that?

Mr. KORNZE. Well, the renewable energy goal that you noted was created here in Congress. It was part of the 2005 Energy Act.

Senator MURKOWSKI. So we would just need to create in Congress a goal for our conventional fuels on public lands.

Mr. KORNZE. Well, I am saying that in the 2005 Energy Act, there was an aspirational goal saying that by 2015, we would like to see the Department of the Interior authorize 10,000 megawatts. We exceeded that. At this point, we are at 14,000 megawatts plus. We are very proud of that. We took a program that basically did not exist and turned it into something pretty spectacular.

On the oil and gas side, we need the resources to do the same. So that is part of our roughly 20 percent budget increase request for our oil program—

Senator MURKOWSKI. Well, wait a minute. When you say you need the resources to do the same, you have got the private sector that is out there that is ready, willing, and able to go after the resource. So it is not as if you and BLM need to reinvent the wheel. In my view, you need to have a more expedited process. In many cases, you just need to get out of the way. So I do not understand why you would say we need more resourcing to do this.

Now, you mentioned earlier that you do need additional resources for inspectors. We know that we have got to have a level of safety and protocol out there. I certainly understand that.

But again, I think when you are looking at those ways, those measures that you can enhance production on our Federal lands to increase jobs, to increase revenues, it is not something that as a Department you need to increase your budget to do that. I think you have got an industry that is ready to go to work, but we make it so hard on our public lands. We make it so difficult that those that are ready, willing, and able will go out of their way to avoid the production on our public lands. And you have cited that you are pleased with the level of leasing that you have, but in fact what we have seen is a very direct and clear trajectory downward in terms of leasing on our public lands over this past 6 years here.

And so, yes, we might be able to say that production is up. Production is up because you have got a commitment to extract as much as you can out of these existing leases. But it is tough to be able to explain to people who believe very strongly that our energy assets are something that we should value when we say on our Federal lands, it is just that much more difficult. It is just that

much more complicated. And yet, you have got good operators making things happen on State and private lands, contributing to jobs, contributing to our energy security.

And there is a disconnect here, and I am trying to drill down to how we can do the reconnect. And we need to be working with you on these initiatives to make that difference.

I have gone over my time. I want to turn to the Senator from North Dakota.

VENTING, FLARING AND RIGHTS OF WAY

Senator HOEVEN. Thank you, Madam Chairman.

Director, good to see you and thanks for being here today.

We are trying to reduce flaring in our State. Actually the highest flaring is on Federal lands and particularly on some of our Native American lands. Now, the right-of-way is the issue. Getting the right-of-way fast enough is the issue with getting these gas-gathering systems put in place.

And so how can the BLM help? And I know that BIA is primarily responsible here, but can you help in some way to expedite getting this right-of-way so that we can get these gathering systems put in place to reduce natural gas flaring?

Mr. KORNZE. Flaring is very important, and we appreciate that North Dakota has stepped out on this issue. So thank you for being part of that leadership team.

Related to the rights-of-way for the capture systems, absolutely part of the equation. Around the Bureau of Land Management, we have been focused on getting the right realty staff in the right places to help make sure that we are not part of the holdup. I do think that we could—we are in the course of getting the right people in places like Dickinson where we have had huge human capital challenges. Folks can walk across the street and often make twice as much. And so we have been working hard to get special pay rates and locality pay for folks in those offices so they have got a reason to stay and to make sure that we do not have the turnover, which also impacts our ability to get those rights-of-ways and other efforts completed.

Senator HOEVEN. Is there something Congress can do to help expedite the process?

Mr. KORNZE. Well, having the right people matters. So I will tell you our special pay rate for our petroleum engineers and petroleum engineer techs expires at the end of this year. We have had it for 2 years. It has been a very important thing for our oil and gas system across the board. We would be interested in working with you on a potential extension of that.

Senator HOEVEN. Well, one of the things—before 2008, I think there was one oil well drilled on the Three Affiliated Tribes reservation. I then signed an agreement—I was Governor at that time—with the tribe whereby they agreed to have the State regulatory process apply on the reservation too. So that was an agreement we signed. And, of course, now I think if that reservation were a State, it would be like the eighth largest oil-producing State in the country. I mean, they are just doing tremendously well, which of course necessitates the need for more infrastructure.

So is there some kind of cooperative agreement or something we could do interagency here, or is there legislation that would help expedite this right-of-way process? And you know, the chairwoman, Senator Barrasso, and myself have got some legislation in to try to expedite these gas-gathering systems and getting this right-of-way. Is that something you can work with us on? Do you see some ability to help get some tools out there so we can leverage the manpower that you have?

Mr. KORNZE. I do. And so I would be very interested to have some offline conversations with you about how we can use tools like the Bakken Executive Group to put a focus on this—

Senator HOEVEN. Right.

Mr. KORNZE [continuing]. And see if there are other national resources we need to bring to bear.

HYDRAULIC FRACTURING

Senator HOEVEN. Between BIA, BLM, Grasslands, I think there is enough people. We could certainly better leverage our efforts, and if there is some legislation required, I would be very interested in getting your assistance on a number of bills that we have proposed to expedite this process.

Along that same line, BLM has come out recently with its hydraulic fracturing rule. So now we have a situation where States like North Dakota, Alaska, Texas—you know, I think there are 27 States that produce 99.9 percent of the country's oil and natural gas. And so we have these hydraulic fracturing rules that require disclosure. They require using FracFocus. They require making sure that your seals and your cement and all these things are properly in place and that you are monitoring the integrity of the well, the catch basin, the very things that apply in the Federal rule.

So now we have got this duplicate situation. We have got the State regulation, and then we have also got the Federal hydraulic fracturing regulation. So now the energy producers face two sets of regulation, and they are largely the same. So you could say, well, what is wrong with that? Right? I mean, they are the same except now you have got to go through the State regulatory process and you have got to go through the Federal regulatory process, and we are back to this long period of time and delays.

How do we work with BLM so that the State can get primacy for the regulatory oversight as long as they are properly overseeing all these things that we both agree should be there? We do it with air. We do it with water. How do we accomplish that with hydraulic fracturing?

Mr. KORNZE. Well, we specifically designed the hydraulic fracturing rule to allow for variances, and what that means essentially is you nest the Federal and the State rule together. Wherever the higher standard is, that is what we are going to follow. So if North Dakota has higher standards than what we put forward, we will be following the North Dakota standard.

And I think it is important to note that this is how oil and gas has always worked. So the State of North Dakota and the Bureau of Land Management have not had completely parallel and completely matching rules and regulations in all areas of drilling and oversight. But yet, we have found a way through decades to work

together and to make sure that we have an efficient system. This is no different. And we have been quite explicit in this rule to make sure folks understand that if there are local standards that are better, that we look at those and we will adopt those.

Senator HOEVEN. Where are we in that process of providing variances to the States? As you know, you have got litigation going with a number of States. It seems to me this might be, again, a way we work together to address the challenge. If we can make that variance process a very clear, understandable process that States can go through in a straightforward way, maybe we can address it. So, again, if there is some help needed from Congress—or you tell me how do we make sure that then States can go through that process in a straightforward way so that we are not duplicating regulation.

Mr. KORNZE. So I believe that Lynn Helms, your regulator, and our team are in conversation. If that has not taken place, all they need to do is pick up the phone and call Jamie or call myself, and we can get that conversation—

Senator HOEVEN. But essentially your intent is, through this variance process, to enable States to play that primacy role as long as they go through the process and you are comfortable that the oversight is there.

Mr. KORNZE. The way that we are going to work this. You put the two standards side by side. There is going to be a lot of commonality. And so if the State standard is equal to or better than ours, that will continue to be what we enforce on the Federal lands.

Senator HOEVEN. Okay, but there just has to be a straightforward way to get through that in a timely way so we do not get back to this we are taking a long time and we are not getting through the process. That is what I am after here is a rational process that we can get through in a straightforward and timely way.

Mr. KORNZE. And the rule is fairly straightforward, and our team has a great relationship with your team.

Senator HOEVEN. Yes.

Mr. KORNZE. So I do not see a problem there.

Senator HOEVEN. So you will work with us on it to see if we cannot make sure that process works.

Mr. KORNZE. Absolutely.

Senator HOEVEN. Thanks. I appreciate it, Director.

Senator MURKOWSKI. Thank you, Senator Hoeven.

Senator Udall.

INSPECTION FEES

Senator UDALL. Thank you, Madam Chair.

As has been mentioned several times, the President's budget proposes a new inspection fee for onshore oil and gas leases. How will instituting this fee impact your inspection and enforcement programs, or asked another way, what are you not able to do today without these fees in place?

Mr. KORNZE. Thank you for the question.

We have roughly 30,000 oil and gas inspections that we have to do on an annual basis. About half of those are high priority. Without the right number of folks, it puts us in a position where we

have to really juggle resources and perhaps stretch them in a way that is not maximizing our full system on the production side. We have to be able to cover those inspections and make sure that we have a safe and responsible system. That has got to be the foundation of what we do. From there, you have got your APD's that you are working on, and then above that, you have got your leasing system. So we have to do multiple systems at once. We need the resources to do all of that.

What the fee, which would be roughly \$1,000 per lease on average—would do is allow us, similar to the offshore oil and gas system, which has a similar fee, which is significantly higher than what we are asking for—it would allow us to go in places like North Dakota where there is going to be a huge amount of production. It allows us to staff up there because those fees go to those local offices and it returns into the system. So we need to be able to make sure we have a safe, responsible program that allows us to build in areas like production.

SAGE-GROUSE

Senator UDALL. Thank you for that answer.

Shifting over on the sage-grouse, I understand that your land use plans covering the priority areas for conservation are almost finalized and will be public very soon. Can you preview for us what we can expect from the release of these plans and what has been the preliminary reaction from cooperating States?

Mr. KORNZE. So the Fish and Wildlife Service has been very clear with us that they need essentially—they see a three-tiered stool or a three-legged stool hopefully getting to a point where they do not have to list the Greater sage-grouse.

And I would note that there was success recently on the bi-State sage-grouse population on the Nevada-California border where the Fish and Wildlife Service declared that as not warranted based on plans the Federal agencies and local partners put forward.

So there are three pieces that the Fish and Wildlife Service has asked for. One is strong Federal plans to make sure that we have allocations and plans in place that will limit disturbance in places that are important to the sage-grouse to allow those important population areas to prosper.

The second is making sure that there are similar conservation-oriented efforts and allocations when possible on private and State lands. So you have States like Idaho that have just stepped forward on their State lands to do something similar.

And then thirdly, they want to make sure that there is activity in fire to make sure that—the greatest threat to Greater sage-grouse in the Great Basin, for instance, is fire and the invasive plants that come in afterwards—and make sure that we are making headway there with things like the fire fix and then also efforts related to making sure simply that we are not losing that habitat. We are working carefully with our fire teams to make sure the sage-grouse and rangeland priorities are built into the way that we operate this summer and in all future years.

Senator UDALL. Now, how are you ensuring that the most important sage-grouse habitat is protected while still fulfilling your mandate for multiple use and providing access to resources?

Mr. KORNZE. So our multiple use and sustained yield mission is a continuum. In some places, you are going to have very significant development and use. In other places, you are going to have less use, and that can change over time. So it is well within the bounds of the BLM's mission to have some places that are set aside for certain uses like wildlife habitat and for helping this bird recover. And we will have other uses, traditional uses like grazing on those lands. So it is part of the balancing act we do on a daily basis.

Senator UDALL. The President's budget request proposes an increase of \$45 million for the restoration and protection of the sage steppe ecosystem for a total of \$60 million. This is a major increase for this program. What will BLM do with this funding? How is this funding critical to ensure that we can avoid a listing of the sage-grouse?

Mr. KORNZE. So we will do a few things. One, we need to have an investment in our partners. We do not know everything about the bird. We have got ranchers. We have got counties. We have got State agencies that we have to be working hand in hand with. So part of that money is to build on those partnerships and make sure that we have those links firmly in place.

Another piece is making sure simply that we have boots on the ground. In places like Elko County where I was last week to check on the drought conditions and the fire season, we have one range conservationist, one range con, for about every million acres. We are going to have to do better than that in terms of giving our teams the resources to be working with grazers and working with other land users to make sure that we are doing the best thing for multiple use and the best thing for the bird. So we will be taking steps along those lines.

Senator UDALL. And my understanding is it takes a lot of time and effort and people on the ground to work in a collaborative way to try to make sure you are moving in the direction of not listing.

Mr. KORNZE. Absolutely.

And the other thing we will do is we will be doing projects related to making sure that our wet meadows are of high quality, that our springs are good, that our riparian areas are supporting good wildlife habitat.

And pinyon juniper encroachment, which is the situation that is largely in the Great Basin, is a spectacular and sometimes terrifying thing to look at these valleys that used to have pinyon juniper at a high elevation and because of the changed fire regime and climatic changes, these trees are choking out the sagebrush and sage-grouse and almost completely filling in these giant, say, 500,000-acre valleys. You can see it marching down year by year. So we will be making sure that we are pushing back on those trees and making sure that the sagebrush that we have that is high quality is protected and preserved.

Senator UDALL. Thank you, Madam Chair.

ALASKA CONTAMINATED LANDS

Senator MURKOWSKI. Thank you.

Let me talk a little bit or let us have a discussion here about where we are with the contaminated lands that were conveyed to Alaska Natives, as well as the abandoned well cleanup there in Na-

tional Petroleum Reserve Alaska (NPRA). I am going to be sitting down with Mr. Cribley in Alaska over the Memorial Day week and be able to go through some certain maps. So I am not going to drill down too hard here.

But it is my understanding that with the lands that were conveyed to natives under the Alaska Native Claims Settlement Act (ANCSA), that we are building out the database, the inventory that needs to be completed. And it is my understanding that we are going to find out that a majority of the sites are not on BLM lands. So identifying the responsible party is clearly important, but that is just one step of it. Then we need somebody who serves as the point person, the point agency, if you will, to work with all the responsible Federal agencies.

Is this something that BLM will agree to do, to be that facilitator once we have identified the inventory and just the priorities there? Is BLM prepared to be able to step up to then coordinate with all the Federal agencies?

Mr. KORNZE. Let me give you a description of where we are.

Senator MURKOWSKI. Okay.

Mr. KORNZE. So we have worked with the State and looked for how many known contaminated sites there are across the State. Roughly it is around 6,000. We did an overview to see how many of those were on conveyed lands. We got down to about 900. We have found that about two-thirds of those, so ball park 600, are either cleaned up or are in a state of some sort of remediation. So we have got about 300 that are open question. You will see that roughly half of those, our current information suggests, would be DOD-related, and then the other half is sort of a rainbow of different organizations.

So going forward, I would like to have a conversation with you about whether or not BLM is the right agency because part of what you need is someone to compel action. I think you were looking for cleanup.

Senator MURKOWSKI. Yes.

Mr. KORNZE. And I think potentially the Environmental Protection Agency (EPA) or the State with delegated authorities from EPA would have a better handle on that kind of work than we do traditionally.

Senator MURKOWSKI. Well, what I would like to do is figure that out because, again, it is one thing to identify that these are these areas. It is another thing to have the action plan and have everybody understand what that action plan is and the level of expectation. So probably after my sit-down with Mr. Cribley in Alaska, we will have an opportunity to better identify that.

On the abandoned wells, the good news for us is that we were able to secure some resources to address the abandoned well cleanup through the Helium Stewardship Act. It was really just kind of fortuitous. Actually it was a long of dang hard work. Thank you very much. And we have been able to finish up work on three of the wells this month at Umiat. So that is good.

But this is, again, an area where we need to be looking beyond those one-time monies that we received within the Helium Stewardship Act to better define how we are going to address the cost of this cleanup, how we are going to be working with the State to

make sure that there is some efficient use of dollars here for the cleanup. So we need to address that further just in terms of how much more you are going to be looking at to complete the cleanup after we expend the monies that were received under the Helium Stewardship Act.

Do you want to comment on that?

Mr. KORNZE. Yes.

So, first, I want to thank you and Senator Wyden for all the work that you did to get that funding. It was very significant.

So we have cleaned up the wells in Umiat, as you noted. The next group that we will be working on is around Barrow. There are around seven wells there. The next step after that will be the Simpson Peninsula. So at that point, we will likely have expended most of the \$50 million. That will be a 2- to 3-year work plan from now. And we are thinking carefully about what that larger universe of costs might be. Once we get past those clusters of wells on those sites that I noted, they get more spread out. And so we are going to have to get more creative about potentially piggybacking on new infrastructure that is built and other opportunities.

Senator MURKOWSKI. Well, and this is where really having somebody that is coordinating and helping to facilitate, again, some efficiencies—the costs are extraordinary.

Mr. KORNZE. They are.

GREATER MOOSES TOOTH

Senator MURKOWSKI. We acknowledge that. But the obligation is paramount as well.

Sticking to issues up within the north there and related to NPRA and Greater Mooses Tooth 1, as I mentioned in my opening comments, we are kind of at a stall-out or a standstill here with GMT1 regarding the outstanding issue of measuring production. I think we are, hopefully, done with the mitigation piece.

But BLM is proposing this dedicated test separator as opposed to the multi-phase metering and allocation methodologies that are currently being used on State land, have been used on State land for decades. The Alaska Oil and Gas Conservation Commission, AOGCC, has been working with EPA for years. There has never been an issue. There has never been a problem. But now we have got coming out of Interior and BLM saying, well, you have to have this separate metering system, this test separator, and an appreciation and understanding in terms of what the costs then do to the project.

It has not only been the operator Conoco that is saying this just is not reasonable. You have got the State of Alaska that has weighed in. You have the Arctic Slope Regional Corporation, which has objected to the requirement because of the added costs without appreciable benefits.

So I guess the question to you is have you engaged with the Alaska Oil and Gas Conservation Commission (AOGCC) regarding this added requirement and why you think that the way it has been done for the past several decades is not sufficient and what we can do to resolve this because I think it is somewhat telling that it has been decades now that Conoco has been trying to get

something going within the NPRA and we still have not seen a drop of anything. So we would like to get there. We thought that Conoco was going to be able to sanction this project this season and of course they have not. Where are we with this additional requirement for a test separator?

Mr. KORNZE. So the question that we are trying to work out is basically the error rates. What kind of confidence can we have in how much oil is flowing through those pipelines?

Senator MURKOWSKI. But have you talked with AOGCC about the confidence that they have and have had for years now?

Mr. KORNZE. So the system that ConocoPhillips has put forward, as you noted, has been used on State lands and under AOGCC authority. We look at that. ConocoPhillips operates on BLM lands in southern Alaska and places like New Mexico, and they have been meeting the standard that we have in place, which is roughly a .35 error rate. The system that they are putting forward likely has an error rate of somewhere between 4 and 10 percent, and it is hard to verify.

Senator MURKOWSKI. Have we ever had problems, though, with the Alaska methodology?

Mr. KORNZE. Well, I am not sure there have been problems, but we certainly have some difference in the demand we are putting forward in terms of the error rate. So we have a very important responsibility to make sure that the American taxpayer and the tribes that we work with and other native populations—

Senator MURKOWSKI. Well, right now, the American taxpayer is getting 100 percent of nothing, and the tribes, the native corporations are not being benefited at all because there is no production. So we have got a situation where Conoco is prepared to say we cannot make this pencil out. We just cannot make it pencil out. And so if you are trying to talk benefits here, again, if those that are willing to invest hundreds of millions of dollars into a project and have nothing to show for it and may be forced to walk away from this project, walk away from this investment because of an overlay of a requirement that, again, adds substantial cost, with again minimal to no appreciable benefit, it causes people to say this does not make any sense.

And this is where I think the administration gets the black mark in saying, you know, you say you support an all-of-the-above energy policy. You say you support increased production or production on the National Petroleum Reserve Alaska, but you are not doing much to facilitate it. We just cannot figure out how we cannot come together to make sense on this. You see my point.

Mr. KORNZE. I do.

And our goal is to get to production on Greater Mooses Tooth, and I believe we will get there. Part of the more complicated situation that we are within is that, one, ConocoPhillips is meeting the standard elsewhere where they operate on BLM lands in Alaska and in the lower 48. So there are no surprises here.

Senator MURKOWSKI. But they would have to build a completely separate system—a completely separate system—up north within NPRA, a redundant system at extraordinary cost.

Mr. KORNZE. It depends on what your standards are. We are held to a very high standard at the Bureau of Land Management.

Senator MURKOWSKI. And I think Alaska has led in terms of the standard. If the system was not working for us up there, I think that there is probably more room for a discussion, but nobody has ever questioned the soundness, the validity, the reliability. And that is where I think we have got somewhat of an impasse.

Let me go to my colleague here for further questions.

Senator UDALL. Madam Chair, I have a couple more questions for the record, but I think I will submit those. So I have completed my questioning.

Senator MURKOWSKI. I just have a couple more, if I may.

Senator UDALL. Please go ahead.

LAND CONVEYANCES

Senator MURKOWSKI. And very quickly to you, as you know, with the land conveyances, we have been trying to get moving forward. We have been held back in being able to do the surveys. I appreciate the Department moving forward and saying there are other ways that we can do the surveys through GPS. Are we any closer to getting that level of acceptance and cooperation with the State on BLM's proposal for Global Positioning System (GPS) surveys?

Mr. KORNZE. I strongly share your desire to fulfill the Alaska Statehood Act and what is owed to the native corporations. I think this is an important step. I went up to Alaska 2 months ago to sit down with the Governor and the Lieutenant Governor and tell them how much faster we can go and at what a decreased cost to the Federal Government and to the State potentially and then also truly if we can come together on this, I think it is a huge opportunity for all of us. So that was a positive conversation.

Our teams have been meeting since then. Ed Vogel's team and Mark Meyers' team have been sitting down with ours.

I am interested in, hopefully, seeing if we can alter our MOU with the State, which was signed in 1973. Technology was very different then. We can provide the State of Alaska with a much better product with much finer detail that they can use going forward. So any support you can provide on that front is greatly appreciated.

HELIUM STEWARDSHIP ACT

Senator MURKOWSKI. Well, it is something that we are all trying to achieve the same goal here, and if we can utilize technologies to our advantage, it seems to me to make sense. So let us work on that.

Let me ask about the helium issue. I mentioned a couple times the Helium Stewardship Act, which I think there was a good deal of benefit that came out of that, not the least of which was some revenues that helped.

But just a few weeks ago, we saw a report from GAO raising questions about BLM's implementation of the act, which certainly has some repercussions for the helium industry and taxpayer.

The first area that GAO raised concerns is with regard to these tolling agreements between the refiners and non-refiners. And unless both sides can reach agreements on tolling, one of the central elements of the Helium Stewardship Act, to bring more competition into the helium program, it is not going to be achieved.

So can you give me your response to this GAO report? It is something that there is some real concern about. And we want to make sure that the provisions of that act function and that in fact we are able to see a level of competition that will allow for greater access to helium on the market. So can you address the GAO?

Mr. KORNZE. Absolutely. I think we appreciate the revision of the system a few years ago through legislation, which I know was not an easy lift. That legislation was designed at a time when the Bush Dome, the system that we operate out of Amarillo, Texas, was a much larger player. So since then, Qatar, Algeria, a plant in Wyoming have all either come on line or increased their production significantly, and it has really changed the dynamics around the system.

Related to tolling, the idea is that we have producers that are on the system, and if they have excess capacity, they need to be allowing that to be used by folks who are off the system that might also have helium that needs to be processed. One of the things that we are seeing in our gas reservoir is that the pressure is going down significantly. We are not able to push as much gas to these producers as they would want to consume for their own production. So we are seeing significantly less gas being refined than sort of at an optimal level that they would need to hit in order to get to this concept of the requirement that they use their excess capacity for tolling.

I think it is a fairly complex situation, but we are talking to GAO about some of the complexity. We do not necessarily see eye to eye with 100 percent of what they came out with. We would be happy to visit with your staff further about the situation.

EASTERN AND WESTERN INTERIOR RESOURCE MANAGEMENT PLANS

Senator MURKOWSKI. Yes. I know that we want to explore this further. I want to make sure that we have got this right and, again, that we are achieving the progress.

My last issue is one that I probably should not have saved for the end because it is going to be really animated and agitated. We have had an opportunity to talk about the BLM's eastern interior resource management plan. This is the management plan up in the interior of the State that will withdraw close to 700,000 acres in the district from mineral entry. This is something that the small miners in the Fortymile District are just beside themselves about. These are small operators, small operators in an extraordinarily remote part of the country. And to them, they are looking at this proposal and saying decisions that are being made 4,000 miles from here we cannot comprehend.

As you know, there is a meeting in Chicken on the 29th of May. You had been invited to attend. I had asked that you attend. I understand that you will not be, but I understand that Bud Cribley is going up. Is anybody from Washington, DC, going up, do you know?

Mr. KORNZE. So I am looking at my schedule to see if it is possible to go.

Senator MURKOWSKI. That would be fabulous. That would be fabulous. I think it would be extraordinarily important for you to hear

directly from the men and women on the ground in their place as to what this means.

And the frustration here is that you have got a proposal to withdraw, again, nearly 700,000 acres in the Fortymile District, and you have these miners—not just miners. You have Alaskans that say, wait a minute. Tell me how this does not violate the intent of the Alaska National Interest Lands Conservation Act (ANILCA) and the no-more clause when you have in place a proposal like this. And I look at it and say I do not see how, other than a difference in terminology, this is not just a flagrant, in-your-face violation of the no-more clause under ANILCA.

And then it is not just the eastern interior land plan, it is this current planning effort for the Bering Sea western interior area plan. These are areas that are being proposed for set-aside for environmental protection as areas of critical environmental concern, ACEC's. I can tell you most people in Alaska have never heard of an ACEC, but the proposals that we have here in terms of limitations on opportunity for access are really quite extraordinary, proposing to place off limits most any form of development.

Now, I do understand that the current version of the plan reduces from 11 to 8 the number of existing ACEC's in western Alaska, but it also proposes to create eight new conservation areas. Some like the Unalakleet River ACEC are pretty large. You have another, the new sheefish spawning area just south of McGrath surrounding the Big River. You cannot see it from here, but you look at the map here along the rivers, and the impact for any level of development is considerable. It is beyond considerable. It will potentially block the route for a pipeline to bring any kind of energy to proposed Donlin Creek mine, an opportunity that the folks in that region have been keyed in intently. But in order to access mineral resources there, you have got to have some form of energy other than just diesel.

But again, we have got provisions within ANILCA that make it illegal. You cannot do it. You cannot withdraw more than 5,000 acres in Alaska for any single use without congressional approval. But under many of the agency's pending ACEC's, you are administratively affecting far more than 5,000 acres for single purposes, whether it is the sheefish spawning, even though their original spawning areas are actually outside of these proposed ACEC's.

So I wander around with a map in my everyday folder that is what gets me up in the morning. It is what reminds me of my purpose here in the United States Senate. And these are Alaskan lands and waters that are withdrawn from development. And it is things like wilderness and NPRA withdrawals and withdrawals in the North Aleutian Basin and critical habitat proposed and wilderness and national park and Federal lands. And the colors just make a brilliant patchwork.

But what this then does is take that patchwork and muddy all the colors so that it is even more restrictive so that in those areas where we thought we might have an opportunity for a small placer miner to engage in a little bit of income or for a community to perhaps have an opportunity for some jobs in a region or for some cheaper energy in a region, but if we are not going to be able to even allow for a pipeline corridor because now we have all of these

ACEC's, we are going to be looking at the ESA, the Endangered Species Act, and critical habitat as chump change because everything else around the State is going to be blocked off.

And I know I sound apocalyptic, but you have to appreciate the frustration, the anxiety. We felt that we had in place laws that are specific and unique to Alaska. Alaska is the "A" in ANILCA, and we thought we had a pretty good understanding as to what the no-more clause meant. And yet, what we are finding now is our Federal agencies are coming up with changes in semantics basically to get around what was clearly a well-defined law. When it says that you cannot withdraw more than 5,000 acres without congressional approval, we kind of thought that it meant what it said.

And so now we are dealing with areas of critical environmental concern, but it effectively puts you again in a state of de facto wilderness, not unlike what the President did with his proposal up in the Arctic National Wildlife Refuge (ANWR). So it seems like anyway you slice it, any term that you want to call it, what it ends up being is withdrawal, restriction, and an inability of a State and a people to access a resource—resources that we were promised at statehood, land that we were promised at statehood. So we are feeling a little burned.

I would encourage you—encourage you—to go to Alaska and to hear the people. And I thank you for the trips that you have made. And I know that they are not easy because Alaskans are pretty unfiltered. We will tell you what is on our mind, but I think that that is important. I think that that is important because this is our life. This is our livelihood, and we want to make sure that our lands are cared for. And we are kind of proud of how we have done it over the decades. But sometimes we feel like you all are trying to protect us from ourselves, and that makes us pretty angry.

So I would encourage you to go to Chicken. I would encourage you to listen to the people on the ground. We have some things that we need to be working on together, clearly. I appreciate the efforts that you are making on the cleanup and the obligation that the Federal Government has there. We have got some other things that we need to do. But we must—must—address some of these withdrawal issues that are strangling Alaskans. So I appreciate your attention to that as well.

Mr. KORNZE. It will have my attention, and let me say thank you both for your significant investment in issues related to the Bureau of Land Management and the Department of the Interior. The personal attention is greatly appreciated.

Senator MURKOWSKI. Thank you.

CONCLUSION OF HEARINGS

With that, we stand adjourned.

[Whereupon, at 11:46 a.m., Wednesday, May 13, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]